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SUBJECT: COMMUNICATIONS MINISTER OUTLINES WAY FORWARD ON MAJOR PROJECTS

¶1. (SBU) Summary: Kuwaiti Minister of Communications Abdul Rahman Khalid Al-Ghunaim told Ambassador on November 23 that the recent steep drop in oil revenues and the global economic crisis would not affect implementation of the previous ministry's priority projects, the government's overall 'Five Year Plan.' Ghunaim outlined three projects in a program to partially privatize Kuwait's international exchange network, fiber optic network and a copper network. He also confirmed a telecommunications regulatory agency is expected to be established next year and welcomed U.S. telecom sector participation. He said the airport expansion project and approval of three rail projects were proceeding apace with expected completion dates of 2016 and 2018 respectively. The privatization of Kuwait Airways Corporation was also on track with the valuation process expected to be concluded in five months. Ghunaim also said that a new tender for all of the nation's postal services would be offered shortly. According to the Minister, all of these projects were uncontroversial for members of Kuwait's notoriously obstructionist National Assembly. End summary.

Telecommunications Projects

¶2. (SBU) Kuwaiti Minister of Communications Al-Ghunaim detailed the current state of the Government of Kuwait's (GoK) major telecommunication projects during a November 23 meeting with Ambassador. Ghunaim said the Ministry, working with French and British consultancies, had completed the first phase of a project to partially privatize the MoC's international exchange network, its fiber optic unit and copper network unit. He said all three divisions would be "spun off" as public companies with the GoK holding a 24% stake in each, the operating partner owning 26%, and 50% publicly traded. Dr. Adel Zerai, Advisor to the Minister, stressed that the GoK wanted to encourage the participation of U.S. telecommunications companies in these projects.

¶3. (SBU) The Minister also noted the MoC had proposals before the National Assembly to establish a telecommunications regulatory agency (TRA). Dr. Zerai said the agency would be established by a telecommunications consultancy and operated by the MoC. He added that the MoC expected legislation establishing the TRA to be put before the National Assembly by March 2009. Ghunaim said he believed the National Assembly supported the telecomm projects and he did not expect opposition.

Infrastructure Projects

¶4. (SBU) In response to Ambassador's question on the impact of falling oil revenue on projects contained in the GoK's recently announced 5-year plan, Ghunaim said the Higher

Planning Council was reviewing the plan and that the Council of Ministers had given initial approval for the plan's budget. He added that despite the recent steep decline of oil prices, since Kuwait based its budget revenue projections on a rate of \$50 per barrel, he did not anticipate budgetary obstacles to hinder the progress of the projects.

¶ 15. (U) Ghunaim elaborated on three proposed rail transportation projects involving monorail, metro and GCC railway systems. He said all three projects would be established under separate companies with a budget of approximately \$250 million dollars. The companies would be governed by a public authority. He said the routes for the projects had been identified and included a segment to Boubiyan Island, Um Qasr and linking with the Iraqi rail system in southern Iraq. He added that the GCC rail project was expected to be completed by 2018.

Kuwait Airline Privatization

¶ 16. (SBU) Ghunaim said the privatization of Kuwait Airways Corporation (KAC) was proceeding smoothly. He observed that KAC had collected all of the necessary documentation to allow Gulf Investment Corporation and Rothschild, the two consultancies analyzing the valuation of KAC, to complete their work. He said he expected the consultants to finish the valuation process in five months.

Airport Expansion

¶ 17. (U) Ghunaim said the expansion of Kuwait International Airport was budgeted at 211 million Kuwaiti Dinar (USD 790 million) and would be able to accommodate the anticipated increase in passenger volume from the current seven million persons annually to 50 million passengers in 2025. He said the project was to be completed by 2016. He said the new third runway would help the development of Kuwait's three Airline companies and also be able to accommodate the Airbus A-380.

Postal Service

¶ 18. (SBU) Ghunaim said a large tender for postal services will be submitted to the Central Tender Committee shortly and that it would specify three contracts, each administering postal services for two of Kuwait's six governorates. He added that a new Postal Authority would be established to oversee the service providers.

Comment

¶ 19. (SBU) The elephant in the room, of course, is whether the government, and the Minister, will survive a threatened dissolution given serious, ongoing frictions between the Prime Minister, primarily, and National Assembly members. The minister expected a decision in this regard would be made by the GoK leadership within the week. End comment.

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